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Report Highlights:

Australia's 2003/04 orange production is forecast at 535,000 MT, as the large 2002/03 crop is expected to lead to a smaller follow-on crop. Strong demand for Navel oranges will continue to favor this variety in new plantings. Orange exports in 2002/03 and 2003/04 are projected at 150,000 MT. The U.S. continues as the favored market for Australia's Navel exports. Orange juice imports are expected to be greater than domestic juice production in both 2002/03 and 2003/04. Brazil is Australia's dominant orange juice supplier.

Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

Canberra [AS1], AS

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Executive Summary

Australia's total orange production for 2002/03 is estimated at 591,000 MT, 35 percent larger than the previous year's crop. The large increase is attributed to a cyclical, "on" crop following an "off" production year experienced in 2001/02. Cool and dry conditions also reportedly contributed to the above average harvest. Growing conditions and the "heavy" crop have resulted in a high percentage of smaller sized fruit. Windy conditions across much of southeastern Australia also led to above average levels of chafed fruit. Post expects that the large crop, a high proportion of smaller sized fruit, and quality defects will boost the amount of fruit destined for the domestic fresh market and for processing.

Orange production in 2003/04 is forecast at 535,000 MT, as the large harvest in 2002/03 is expected to lead to a smaller follow-on crop. Orange trees are currently flowering and entering the fruit setting stage. Current drought conditions are expected to have only minimal negative effects on the 2003/04 crop. If drought conditions continue, however, fruit setting and sizing may be negatively impacted. Tree removals will continue to trim the production capacity of Valencia oranges. Strong demand for Navel oranges will continue to favor this variety in new plantings.

Orange exports for 2003/04 are forecast at 150,000 MT, equal to the estimate for 2002/03. Australia's orange imports for 2002/03 and 2003/04 are projected at 13,000 MT.

Australia's 2002/03 orange juice production is estimated at 20,996 MT, nearly double production in 2001/02. The larger 2002/03 harvest, higher prices offered by processors and a mixed quality of below-average sized fruit are the major factors behind increased juice production. Orange producers' representatives have welcomed the increase in prices paid by processors following a period of low returns. According to industry sources, the forecast tonnage for delivery to processors is more representative of the longer term average and reflects the larger crop and a general increase in the returns offered by processors. About 200,000 MT of the 274,000 MT of oranges projected to be processed in 2002/03 are expected to be Valencias.

Orange juice production in 2003/04 is forecast at 18,774 MT, down 11 percent from 2002/03. A smaller expected domestic orange crop in 2003/04 is expected to trim fruit available for processing.

Australia's orange juice imports in 2002/03 are estimated to increase 16 percent, to 24,103 MT, reflecting increased quantities of fruit available for processing from the domestic crop. Furthermore, industry sources suggest that recent increases in the cost of imported juice will boost the competitiveness of locally-produced juice. Imports of juice are expected to rise four percent in 2003/04, reflecting reduced domestic fruit availabilities.

Fresh Oranges

PSD Table						
Country	Australia					
Commodity	Fresh Oranges				(HECTARES)(1000 TREES)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		04/2001		04/2002		04/2003
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	6150	6150	6150	6150	0	6150
Non-Bearing Trees	900	900	900	900	0	900
TOTAL No. Of Trees	7050	7050	7050	7050	0	7050
Production	437	437	591	591	0	535
Imports	9	9	13	13	0	13
TOTAL SUPPLY	446	446	604	604	0	548
Exports	150	146	150	150	0	150
Fresh Dom. Consumption	136	130	180	180	0	153
Processing	160	170	274	274	0	245
TOTAL DISTRIBUTION	446	446	604	604	0	548

Production

General

Australia's total orange production for 2002/03 is estimated at 591,000 MT, 35 percent larger than the previous year's crop. The large increase is attributed to a cyclical, "on" crop following an "off" production year experienced in 2001/02. Cool and dry conditions also reportedly contributed to the above average harvest. Growing conditions and the "heavy" crop have resulted in a high percentage of smaller sized fruit. Windy conditions across much of southeastern Australia also led to above average levels of chafed fruit. Post expects that the large crop, a high proportion of smaller sized fruit, and quality defects will boost the amount of fruit destined for the domestic fresh market and for processing.

Currently, the 2002/03 Navel harvest is virtually finished in major producing areas of southern Australia (Riverland and Sunraysia). The Valencia crop is severely late maturing, with less than 20 percent of the crop reportedly harvested to date. About one-half of the 2002/03 orange crop is expected to consist of Navels and the other one-half Valencias.

Orange production in 2003/04 is forecast at 535,000 MT, as the large harvest in 2002/03 is expected to lead to a smaller follow-on crop. Orange trees are currently flowering and entering the fruit setting stage. Current drought conditions are expected to have only minimal negative effects on the 2003/04 crop. If drought

conditions continue, however, fruit setting and sizing may be negatively impacted. Tree removals will continue to trim the production capacity of Valencia oranges. Strong demand for Navel oranges will continue to favor this variety in new plantings.

A recent GOA report valued domestic citrus production at A\$431 million in 1999/2000, representing 14.6 percent of the total value of fruit produced in that year. The report states that 641,000 MT of citrus was produced in 1999/2000, with production by citrus types as follows: 311,000 MT, Valencia oranges; 196,000 MT, Navel oranges; 85,000 MT, mandarins; 32,000 MT, lemons and limes; 13,000 MT, grapefruit; and 3,000 MT, other oranges. The report shows 3,450 establishments growing oranges in 1999/2000.

Weather

Industry sources report that the dry and cool growing season contributed to the higher proportion of smaller sized fruit that characterized the 2002/03 crop. Above average winds also created higher than average levels of fruit chafing, which reduced quantities of fruit suitable for export.

The 2003/04 orange crop could be characterized by smaller fruit sizes if the severe drought currently being experienced continues through the growing season.

Consumption

General

According to the latest data from the Australian Bureau of Statistics (ABS), Australia's per capita citrus consumption increased from 39.1 kilograms in 1988/89 to 56.4 kilograms in 1998/99. ABS has not released more current consumption data and post does not anticipate updated information to become available in the near future.

A recent government report tracked per capita consumption of fresh citrus within Australia between 1989/90 and 1999/2000. Reportedly, citrus consumption varied by as much as 40 percent over this period, peaking at just over 10 kilograms per capita in 1989/90, and falling to just under 6 kilograms in 1993/94. This report places consumption of fresh citrus at just over 9 kilograms per capita in 1999/2000.

Utilization Patterns

In spite of the 35 percent rise in orange production in 2002/03, average fruit quality will be significantly lower, resulting in increased domestic fresh consumption, higher processing levels, and a lower proportion of the crop suitable for export.

Industry sources suggest a significant improvement in returns for oranges destined for processing, with lower domestic supply and higher world prices. Post anticipates a 71 percent increase in oranges delivered for processing in 2002/03, which will do much to displace imported juice.

Marketing

Traditionally, the two major horticultural organizations in Australia have been the Horticultural Research and Development Corporation (HRDC) and the Australian Horticultural Corporation (AHC). The HRDC was responsible for research and development and the AHC was responsible for promotional activities. Both organizations were funded by levies paid by growers and government pro-rata funding for specific purposes.

Horticulture Australia Ltd. (HAL) is a new organization that replaced the AHC and HRDC on February 1, 2001. HAL was established under corporations law as a not-for-personal-profit company in accordance with the Memorandum of Understanding (MOU) signed by 26 industry organizations. HAL's focus is the continued marketing and promotion of horticultural products in both domestic and export markets as well as to exploit the opportunities for uptake and commercialization of new technology.

Trade

General

Official ABS statistics place Australia's total fresh orange exports in 2001/02 at 145,974 MT, up about two percent from the 143,439 MT exported in 2000/01. In 2001/02, Hong Kong, Malaysia, Singapore and the United States (in descending order) were the top four export destinations for Australian oranges, contributing to 81 percent of total exports. Orange exports to the United States totaled 16,941 MT, down from the 23,188 MT exported in 2000/01. Exports of oranges to the U.S. market in 2001/02 were valued at A\$35 million, down from A\$38 million in 2000/01. Industry sources report that the United States is a growing, premium-priced market for Australian Navel oranges. The 2001/02 crop, although relatively small, was characterized by large-sized fruit, which is favored by customers in Hong Kong, Japan, South Korea, China, and the United States. Typically, about two-thirds of Australia's fresh orange exports consists of Navels, with Valencias comprising the remaining one-third.

Australia's orange exports in 2002/03 are estimated at 150,000 MT, up less than three percent from 2001/02. Industry sources suggest that the significantly higher quantity of fruit available from the 2002/03 crop will largely be offset by reduced fruit quality, smaller sizes and, hence, a lower proportion of fruit suitable for export. Increased availability of smaller-sized fruit will likely see exports favoring those markets that demand this type of fruit, for example, Singapore, Malaysia and New Zealand. In addition, Taiwan will likely grow as a market for Australian fruit with removal of quotas and the reduction of import tariffs that came with Taiwan's WTO entry. Based on partial year 2002/03 export statistics from ABS, Australia's orange exports to the United States in 2002/03 are expected to rise significantly. Exports of oranges to the United States for the April-September 2002 period totaled 21,668 MT, already sharply higher than the full-year 2001/02 figure. The United States looks to continue to be a favored market for exports given the premium prices received for fruit.

Orange exports for 2003/04 are forecast at 150,000 MT, equal to the estimate for 2002/03.

ABS places Australia's orange imports in 2001/02 at 8,963 MT, about 30 percent lower than the 12,559 MT imported in 2000/01. The United States was the largest supplier with imports of 7,786 MT, valued at A\$16 million, down from the 10,572 MT valued at A\$14 million imported in 2000/01. The only other significant orange supplier in 2001/02 was Spain with 1,151 MT.

Australia's orange imports for 2002/03 and 2003/04 are projected at 13,000 MT.

Policy

General

In response to pressure from industry groups, the Government of Australia (GOA) requested the Productivity Commission to formally investigate the Australian citrus industry. The Commission issued a report in February 2002 titled, "Productivity Commission 2002, *Citrus Growing and Processing*." In conducting this report, the Productivity Commission was required to report on the competitive situation and outlook for the citrus growing and processing industry taking into account a broad range of factors. As part of this report, the Commission was directed to specify whether the circumstances justified measures to enhance the competitiveness of the industry. If so, the Commission was to address what measures would be appropriate, including the need for a formal

safeguards investigation.

The Commission reported that the industry is going through structural change driven by a range of factors, including increased imports of frozen concentrate orange juice (FCOJ), as a result of low import tariffs. The tariff rate currently applied to imported FCOJ is five percent, well below Australia's WTO-bound rate of 24 percent. The report did not evaluate whether a safeguard inquiry would likely find the necessary conditions for safeguard action.

In relation to introducing a temporary increase in the tariff on imported FCOJ, The Commission found that:

"A temporary increase in barriers against imports of frozen concentrate orange juice would be unlikely to alleviate the financial difficulty being experienced by some growers. Further, it would be a poorly targeted instrument, assisting all growers, rather than those experiencing financial problems."

In arriving at this finding, the Commission stated that a temporary increase in the tariff on imported FCOJ would: not benefit producers who were dependant on non-citrus crops and off-farm income; have little effect generally other than for those few growers who relied on juicing prices for the bulk of their crop; would reduce incentive for the industry to adjust; possibly attract retaliation from Brazil who Australia had a trade surplus with; and would send the wrong message in the lead-up to the WTO round of world trade negotiations.

In relation to industry-specific adjustment assistance the report found:

"Assistance that focuses narrowly on commodities, such as citrus, can distort farm business decisions, with possible adverse effects on the efficiency of the sector. It can also result in inequities, delay inevitable adjustment, and be costly to administer."

In relation to the Commission's preferred approach for providing adjustment assistance the report found that:

"Given the diverse nature and financial performance of citrus growing enterprises, generally available measures of industry assistance are superior to further industry specific assistance, including a formal safeguards investigation, in addressing adjustment problems faced by some citrus growers."

The Productivity Commission conducted hearings and received submissions from stakeholders. The GOA has responded to the report essentially agreeing with its key recommendations. Of particular interest was the governments agreement to support the continuation of export controls which are to be reviewed annually in accordance with existing export control regulations.

Further information on this subject can be viewed at the Productivity Commission's homepage at: www.pc.gov.au

Juice, Orange

PSD Table						
Country	Australia				Degrees Brix	
Commodity	Juice, Orange				(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Deliv. To Processors	160	170	274	274	0	245
Beginning Stocks	18404	18404	8136	7046	4632	7422
Production	12261	13026	20996	20996	0	18774
Imports	25958	24103	24000	28000	0	29000
TOTAL SUPPLY	56623	55533	53132	56042	4632	55196
Exports	2487	2487	2500	2620	0	2000
Domestic Consumption	46000	46000	46000	46000	0	46000
Ending Stocks	8136	7046	4632	7422	0	7196
TOTAL DISTRIBUTION	56623	55533	53132	56042	0	55196

Production

General

Australia's 2002/03 orange juice production is estimated at 20,996 MT, nearly double production in 2001/02. The larger 2002/03 harvest, higher prices offered by processors and a mixed quality of below-average sized fruit are the major factors behind increased juice production. Orange producers' representatives have welcomed the increase in prices paid by processors following a period of low returns. According to industry sources, the forecast tonnage for delivery to processors is more representative of the longer term average and reflects the larger crop and a general increase in the returns offered by processors. About 200,000 MT of the 274,000 MT of oranges projected to be processed in 2002/03 are expected to be Valencias.

Orange juice production in 2003/04 is forecast at 18,774 MT, down 11 percent from 2002/03. A smaller expected domestic orange crop in 2003/04 is expected to trim fruit available for processing.

Consumption

General

Orange juice consumption is expected to remain at 46,000 MT for 2002/03 and 2003/04. Industry sources suggest consumption is flat with a trend away from products derived from concentrate toward fresh juice products.

A report published by the GOA recently, stated that fresh juice consumption accounts for around 30-35 percent of total juice consumption in Australia. The same report stated that fresh juice consumption increased by 23 percent between 1999 and 2001. Surprisingly, the report found that around 80 percent of this growth was driven by new citrus consumption and not from substitution for other citrus juice products.

In describing the increase in fresh juice consumption, the report cited developments in the Australian fresh juice market as being similar to developments in the U.S. fresh juice market. The similarities were listed as: increases in consumer income leading to an increase in consumption of fresh juice; consumer preferences putting greater emphasis on the convenience of fresh juice; consumers demanding products that are less processed and more natural; and increases in the prices for competing products.

Prices

Up until fairly recently, prices received by citrus growers for deliveries to processors were regarded as "very low", with some producers receiving prices well below the cost of production. This situation resulted in some producers exiting the industry. However, higher FCOJ prices have producers anticipating improved returns. Furthermore, industry sources suggest that the high level of Valencia tree removals is creating competition between processors for processing fruit.

The Australian dollar has remained at relatively depressed levels vis-a-vis the U.S. dollar over the past year.

Trade

General

According to official ABS statistics, Australia's orange juice imports in 2001/02 totaled 24,103 MT, slightly higher than year-earlier figures. Import value totaled A\$36.2 million. Imports of juice in 2001/02 were higher as less juice was produced from the reduced domestic orange crop. Brazil remained the largest supplier of imported orange juice, accounting for 96 percent of all imports in 2001/02.

Australia's orange juice imports in 2002/03 are estimated to increase 16 percent, to 24,103 MT, reflecting increased quantities of fruit available for processing from the domestic crop. Furthermore, industry sources suggest that recent increases in the cost of imported juice will boost the competitiveness of locally-produced juice. Imports of juice are expected to rise four percent in 2003/04, reflecting reduced domestic fruit availabilities.

Policy

General

See policy section under fresh oranges.